

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5456-01
Bill No.: HB 1592
Subject: Bonds- General Obligation and Revenue; Taxation and Revenue- Sales and Use;
Cities, Towns and Villages; Counties
Type: Original
Date: February 24, 2012

Bill Summary: This proposal establishes the STAR Bonds Financing Act.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	(\$60,447)	(\$65,917)	(\$66,634)
Total Estimated Net Effect on General Revenue Fund	(\$60,447)	(\$65,917)	(\$66,634)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	1 FTE	1 FTE	1 FTE
Total Estimated Net Effect on FTE	1 FTE	1 FTE	1 FTE

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Budget and Planning** assume this proposal establishes the STAR Bonds Financing Act, which allows a city or county to issue special obligation bonds that can be repaid in part with state sales tax increment revenue collected from taxpayers doing business in a STAR bond project within a STAR bond project district. The Director of the Department of Economic Development must approve a STAR bond project and special obligation bonds cannot finance more than 50 percent of the total project costs. Bond projects cannot exceed 20 years. In the event of a default on bond payments, no public funds, other than the revenues outlined in the bill, could be used to pay bond debt.

The proposal will encourage economic activity. Although the proposal will prevent the collection of increased sales tax revenue from a STAR bond project district for a designated period, this additional revenue may not be available if the STAR bond project does not commence. However, this legislation could also cause certain economic activity to be displaced; therefore, this legislation may result in an unknown impact to General and Total State Revenues.

Officials at the **Department of Economic Development (DED)** assume this proposal establishes the STAR Bonds Financing Act for projects located in eligible areas such as historic theaters, river walks, major tourism areas, and major multisport athletic complexes that are approved by a city or county. The city/county is responsible for conducting market and feasibility studies to demonstrate the economic impact of proposed projects. The program is very similar to the tax increment financing program. DED's Division of Business and Community Services would be responsible for reviewing and approving the project plans. DED assumes an unknown positive fiscal impact over \$100,000, which will be offset by an unknown negative impact. DED would require one additional FTE to administer the program due to the anticipated amount of administration involved. The FTE would be an Economic Development Incentive Specialist III and be responsible for reviewing and approving the applications for the program to determine eligibility, establishing procedures, and ensuring compliance with the program.

Officials at the **Department of Elementary and Secondary Education** assume other than the potential impact on the revenue stream of state and local governments this proposal does not impact DESE or local schools.

Officials at the **Mexico School District** assume an unknown impact.

Officials at the **Parkway School District** assume the impact is unknown. The potential abatement of property taxes would reduce the revenue Parkway would otherwise receive, and the

ASSUMPTION (continued)

loss of state sales tax would impact schools throughout the state.

Officials at the **City of Kansas City** assume this proposal appears to have limited applicability to the City. As with every tax exemption, there would be some loss to the City of sales and use tax revenue. The City would offset any loss of sales and use tax revenue by other business and personal taxes received through increased economic activity in the City.

Officials at the **City of Columbia** assume no impact unless the City approves a STAR project.

Officials at the **Department of Insurance, Financial Institutions and Professional Registration, Missouri House of Representatives, Missouri Senate** and the **Office of the Governor** assume there is no fiscal impact from this proposal.

Oversight assumes that no city, county, school or other local political subdivision would be affected by this proposal unless a STAR Bond Project was created in their area.

Oversight assumes that per the requirements of this proposal, cities, counties, schools and other local political subdivisions can not experience a loss of revenue due to the funding of the project. Therefore, Oversight will show this proposal as having no fiscal impact on local political subdivisions.

Oversight assumes the creation of this new program outlined in this proposal may have a positive impact on the state. However, Oversight considers this to be indirect impact of the proposal and will not reflect it in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Cost- Dept of Economic Development</u>			
Personal Service	(\$33,510)	(\$40,614)	(\$41,020)
Fringe Benefits	(\$17,740)	(\$21,501)	(\$21,716)
Equipment and Expenses	<u>(\$9,197)</u>	<u>(\$3,802)</u>	<u>(\$3,898)</u>
<u>Total Cost- DED</u>	(\$60,447)	(\$65,917)	(\$66,634)
FTE Change - DED	1 FTE	1 FTE	1 FTE
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$60,447)</u>	<u>(\$65,917)</u>	<u>(\$66,634)</u>
Estimated Net FTE Change on General Revenue	1 FTE	1 FTE	1 FTE
 <u>FISCAL IMPACT - Local Government</u>	 FY 2013 (10 Mo.)	 FY 2014	 FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

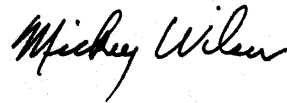
FISCAL DESCRIPTION

This proposal establishes the STAR Bonds Financing Act.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Budget and Planning
City of Columbia
City of Kansas City
Department of Economic Development
Department of Elementary and Secondary Education
Department of Insurance, Financial Institutions and Professional Registration
Mexico School District
Missouri House of Representatives
Missouri Senate
Office of the Governor
Parkway School District

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 24, 2012